



Strategic Plan 2016-2018

A performing central bank and a force for change supporting
the country's emergence



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OUR
VALUES

Efficient

Transparent

Governance

Committed

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Compliance

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GOVERNOR'S FOREWORD

In each of our four previous plans, we defined strategic areas broken down into operational objectives. Consistent with this approach, the Strategic Plan 2016-2018 sets new perspectives, shows the way forward and builds - more than ever before - on our core values, which are good governance, transparency, efficiency and compliance, to ensure its implementation.

The plan 2016-2018 is the result of a wide-ranging forward-looking reflection and several months of dialogue and consultation involving, through many working meetings, the Bank's various levels of staff representation.

Through the mobilization of the women and men of Bank Al-Maghrib, this fifth plan is designed to be shared, ambitious and realistic. **Shared**, due to the engagement it generated at all phases of elaboration; **Ambitious**, because it is the concrete and proactive response to the challenges posed by the major changes in our internal and external environment; and **Realistic**, as it builds on our strengths and takes account of our constraints.

Bank Al-Maghrib must therefore be **"a performing central bank and a force for change supporting the country's emergence"**. This new strategic vision will guide our actions in order to address the key challenges arising from the broader missions we assume under the new Banking Act and the ongoing reform of the Bank's Statutes.

In this context, we have identified two strategic priorities in the plan 2016-2018. The first aims to **"strengthen our capabilities in order to adapt to changes in the national economy and enhance financial system resilience"** while the second is intended to **"rationalize the use of our resources in a modern working environment enabling collective performance"**.

Under these priorities, we will continue working to develop an analytical and operational framework of monetary policy consistent with a more flexible exchange rate regime and

inflation targeting. We will give priority to integrating new forecasting and simulation models and carrying out more in-depth studies and research about the effects of exchange rate flexibility on our economy and on monetary policy transmission mechanisms. Such changes will require the Bank to adapt the ways of its interventions in the money and foreign exchange markets.

At the same time, we will reinforce our actions towards a more resilient and more inclusive financial system, governed by international standards, while ensuring that the macro-prudential supervision framework and the bank resolution system are based on solid foundations, and that our commitments to consumer protection are pursued. Similarly, we will strengthen coordination with national financial authorities, as well as with host state regulators considering the significant presence of major Moroccan banks abroad.

The entry into force of the advanced regionalization law requires us to reconsider the positioning of the Bank's branch network, so that it can play an increasingly active role closer to the regional stakeholders. In cooperation with regional public and private partners, we will enhance the role of our branches in order to effectively contribute to fulfilling the new missions assigned to the regions.

Internally, we will continue to promote the culture of cooperation within and between the Bank's entities in order to further improve collective performance, develop the managerial capacities of our staff and continue to consolidate our social model. At the same time, we will take advantage of the opportunities offered by the digital revolution to develop our information systems and to promote collaborative working methods and optimum use of data to serve our activities.

Meanwhile, we will act to better protect the Bank against external threats, by adopting comprehensive cyber and physical security strategies that better meet the requirements of prevention and responsiveness.

We also reiterate our commitment to a more careful and efficient financial management. For this reason, we will strengthen efforts to optimize and rationalize expenditure and we will endeavor to explore new revenue sources to improve the Bank's profits. Similarly, we will continue to improve our management and steering methods. In particular, we intend to turn Dar As-Sikkah, our mint, into a highly-performing profit center in order to meet the challenges relating to export activities and the expansion of its national portfolio of secured products.

All these structuring projects will be our road map for the next three years. They will carry our ambitions and channel our resources and energies. We have defined them collectively; it is up to each of us to contribute effectively to bringing into motion.

Thanks to the progress made in past years, which have nowadays placed our institution at the forefront of the national, regional and even international arena, we will implement the objectives of the new Strategic Plan 2016-2018 with the necessary confidence, determination and momentum.

Abdellatif JOUAHRI



STRATEGY MAP

To clearly visualize its strategy and ensure that it is well communicated and assimilated, Bank Al-Maghrib has set out its strategy map for the period 2016-2018. This map refocuses attention on the directions already defined, by presenting the vision for the future, as well as the two strategic priorities and the ensuing objectives.

In addition to being a tool to practically express the Bank's strategy, this new strategic map will be used to monitor its implementation in the next three years. Through indicators and their targets, it will particular help to steer the planned projects in order to lead the Bank to its destination, that of "a performing central bank and a force for change supporting the country's emergence".

A performing central bank and a force for change supporting the country's emergence

Develop an analytical and operational monetary policy framework consistent with a more flexible exchange rate regime and inflation targeting

Strengthen the governance and instruments of macro-prudential policy and the resilience of financial market infrastructures

Build up the capacities necessary for ensuring the supervision of new subjected institutions, services and risks and establish the banking resolution function

Work towards a comprehensive financial inclusion strategy, while reinforcing the protection of banking services' consumers

Reposition the Network's role in light of the new advanced regionalization policy

STRATEGIC PRIORITY 1

Strengthen our capabilities in order to adapt to changes in the national economy and enhance financial system resilience

Adapt to the changes imposed by the digital revolution in the Bank and the banking sector

Improve accessibility and use of the Bank's data within a best practice governance framework

Strengthen physical security and cyber security arrangements to cope with new risks and challenges

Establish Dar As-Sikkah as a profit center with enhanced security, quality and performance

Entrench the culture of cooperation inside the Bank and good management practices as a performance improvement factor

STRATEGIC PRIORITY 2

Rationalize the use of our resources in a modern working environment enabling collective performance

Maintain control of the Bank's expenditure at around 4 percent over the next three years and develop new sources of revenue



STRATEGIC PRIORITIES AND
OBJECTIVES

STRATEGIC PRIORITY 1

Strengthen our capabilities in order to adapt to changes in the national economy and enhance financial system resilience

In discharging its missions, Bank Al-Maghrib contributes significantly to the macroeconomic and financial stability of the Moroccan economy. For several years, the Bank has shaped its monetary policy strategy around an evolutionary path towards inflation targeting, more consistent with the national economic openness and transition to a more flexible exchange rate regime. Similarly, it has strengthened its regulatory and supervisory system, by bringing it in line with international standards, and laid the foundations for a macro-prudential policy of systemic risk analysis and assessment.

Although its efforts are highlighted by international institutions who currently consider that the analytical framework for monetary policy is appropriate, deeming it close to those of central banks targeting inflation, and that the banking system is strong and resilient, the Bank has to consolidate these achievements and enhance them with new major projects.

In the coming years, it will continue to strengthen its analytical and forecasting capabilities regarding monetary policy, adapt its methods of intervention in the interbank and foreign exchange markets and reinforce the macro-prudential policy, required by the ongoing overhaul of its Statutes. With the new Banking Act, it will expand its supervision to newly subjected credit institutions, set up the functions of resolution and control of credit institutions' business practices, strengthen the surveillance of financial market infrastructures and enhance the promotion of financial inclusion.

In addition, the Bank has to support the implementation of the advanced regionalization in the country, particularly by optimizing of its local branches and specializing their activities, and through a more committed role in local activity in relation with its new missions.

> STRATEGIC OBJECTIVE 1

Develop an analytical and operational monetary policy framework consistent with a more flexible exchange rate regime and inflation targeting

The fixed exchange rate regime in effect has enabled our country to maintain its macroeconomic framework stable overall. However, with the acceleration of its commercial and financial openness, the gradual easing of foreign exchange controls, the resolve to turn Casablanca into a regional financial hub and an uncertain international environment, this regime should move towards greater flexibility in order to allow the national economy to meet the competitiveness challenge and strengthen its capacity to absorb external shocks.

With the aim of adopting a monetary policy framework appropriate to this new context and targeting inflation, the Bank had to undertake a series of institutional, strategic and technical reforms for over ten years. This led the bank to particularly strengthen its independence, set price stability as a priority objective, ensure a decision-making process transparency and enhance its analytical and forecasting capabilities.

These achievements will help the Bank to be better prepared, when appropriate, for a successful transition to a more flexible exchange rate regime and an inflation-targeting

framework. In this regard, it plans to complete the integrated economic policy forecasting and impact simulation models, being developed in partnership with the International Monetary Fund, and to deploy them to better support monetary policy decisions. In doing so, it will develop an analysis and forecasting framework in line with international standards, based on the latest modeling techniques and drawing lessons from the recent crisis.

Meanwhile, the Bank intends to carry out extensive studies and research programs to evaluate the effects of flexible exchange rate regime on the domestic economy in general and on the monetary policy transmission mechanisms in particular. It will focus on the analysis of foreign experiences similar to the situation of Morocco, in order to learn relevant lessons in terms of the impact on certain macroeconomic variables, mainly inflation and growth, and better prepare the transition.

To meet its growing needs for data and better anchor its decision, the Bank will continue to strengthen its information arrangements. Indeed, it will further align the monetary statistics production methodology with international standards and enrich the content of these arrangements.

With a view to preparing the transition to a more flexible exchange rate regime, Bank Al-Maghrib is also required to align its framework of intervention in the foreign exchange market. Similarly, it will continue to adapt its methods of intervention in the money market, mainly by establishing bank liquidity management tools that meet the specificities of participatory finance.

➤ STRATEGIC OBJECTIVE 2

Strengthen the governance and instruments of macro-prudential policy and the resilience of financial market infrastructures

With the publication in January 2015 of the new Banking Act and the current overhaul of the Bank's Statutes, the macro-prudential policy, whose institutional and analytical foundations have been laid over the past three years, has now a legal basis. These two founding texts particularly introduce new provisions in this regard. The first one establishes the new macro-prudential supervisory framework, which brings together the financial sector regulatory authorities, while the second text entrusts Bank Al-Maghrib with the mission of contributing to financial stability.

The Bank will act on several dimensions. Being the secretariat of the Systemic Risk Coordination and Oversight Committee, which succeeded the Coordinating Committee of Financial Sector Supervisory Authorities, it should contribute to the definition of its operating procedures and implement its new mandate. In terms of communication, in addition to the publication of the financial stability report, it plans to develop, in collaboration with other regulatory authorities, new actions for the public or a specific category of operators, mainly following meetings of the Systemic Risk Coordination and Oversight Committee and in the crisis event.

The Bank will also continue to reinforce the analytical framework of systemic risk identification and assessment. This framework will integrate the analysis of vulnerabilities that may come from cross-border activities and exposures as well as from intra-financial interconnections, and ensure that the interactions of macro-prudential policy with monetary and fiscal policies are well understood. In response to instability risks, the

Bank will develop macro-prudential instruments, which will particularly include capital surcharge instruments reserved for systemically important banks, instruments aiming to contain real estate risk, and instruments used to narrow the gaps between financial and economic cycles.

Being aware of the importance of resilience of financial market infrastructures in maintaining financial stability, the Bank will also continue to align the payment, clearing and settlement systems under its supervision with the new fundamental principles of the Committee on Payments and Market Infrastructures as well as the International Organization of Securities Commissions, published in April 2012. It will carry out surveillance missions to ensure that such systems are in compliance with the set requirements, particularly regarding financial and operational risk management. Meanwhile, it will seek to implement a “business continuity exercise for payment systems” to check the simultaneous operability of individual business continuity plans in connection with the endogenous system it manages, in order to particularly ensure their availability and efficiency.

> STRATEGIC OBJECTIVE 3

Build up the capacities necessary for ensuring the supervision of new subjected institutions, services and risks and establish the banking resolution function

Banking supervision is required to evolve in the coming years, particularly to take account of the provisions of the new Banking Act, support the expansion of banks abroad and stay in line with the new international standards.

Accordingly, the Bank will develop an organizational structure and appropriate means to ensure that:

- A supervisory framework for newly subjected credit institutions be established;
- The oversight of cross-border risks be enhanced;
- Systemic actors be supervised based on a specific framework;
- The bank resolution function be established;
- The information systems be upgraded in view of the new oversight challenges.

The Bank is thus required to complete the regulatory works governing participatory products, to determine the prudential requirements for participatory banks and to maintain a parallelism between such requirements and those for classic institutions. It should also establish a regulatory and supervisory framework for payment institutions likely to boost their emergence. In collaboration with other regulators, it will have to set up a supervisory system of financial conglomerates.

On the other hand, the Bank intends to continue fostering the regulatory framework to ensure that it complies with the fundamental principles enacted by the Basel Committee and meets the best international standards. In addition to the support provided to banks in implementing the Basel III standards transposed in 2014, on capital and short-term liquidity ratio, the Bank plans to assess the transposability, into the Moroccan context, of other standards related particularly to leverage and concentration risk. It has to consider from now on other reforms, being developed or reviewed at the international level.

Along with these regulatory reforms, the Bank intends to deploy a new cross-border and risk-based supervision policy, which will consolidate the gains of past years in terms of monitoring of the situation of all banks' branches abroad and coordination with foreign regulators. This policy will rely on the establishment of a close watch function in host

countries, a preventive warning system based on a scoring framework, the optimization of the current reporting system and a more focused approach to onsite inspections.

Bank Al-Maghrib will have to define and implement a specific supervisory framework for systemically important banks over the next three years. It will focus on laying down their prudential requirements in conformity with relevant international standards, establish reporting and transparency obligations, and set out the rules that should govern their recovery plans.

The resolution function vested in Bank Al-Maghrib by the new Banking Act involves reinforcing the legal and regulatory framework to have greater prerogatives and tools that will help address troubled banks, especially systemic ones, in a prompt and orderly manner, while restricting the use of public funds. This function requires the Bank to act alongside the Ministry of Finance and the managing company of the collective deposit guarantee fund in order to set up financing mechanisms for troubled banks. It also requires the definition of an appropriate communication policy for the public in the event of crisis, in coordination with financial authorities.

In terms of cross-border resolution, the Bank will establish the pillars for a specific arrangement, by assessing existing legal frameworks of home and host countries, and conducting a regional crisis simulation exercise involving foreign counterparts, starting with those of West Africa.

To support these projects, the Bank seeks to upgrade the information system of banking supervision. This particularly involves a complete upgrade of this system, so as to allow for a better functional coverage, an increased capacity of communication with national and foreign partners, an effective response to steering needs and an organization structure supporting a proactive and agile development of this system.

> STRATEGIC OBJECTIVE 4

Work towards a comprehensive financial inclusion strategy, while reinforcing the protection of banking services' consumers

Bank Al-Maghrib's role in financial inclusion is part of an overall strategy, which aims to improve the domestic banking market, ensure an integrated development of the financial sector by 2020 and positioning Morocco as a regional financial hub. Since 2007, the Bank has led, alongside other stakeholders, several initiatives for both households and VSME. These measures focused on improving the conditions of access to banking products and services, establishing the Moroccan financial education foundation, setting up a new banking mediation mechanism and strengthening credit institutions' customer protection.

The success and sustainability of these initiatives and those to be launched in the future depend heavily on the level of coordination and collaboration among all stakeholders. Therefore, it is now necessary to design a national integrated financial inclusion strategy, governed by an adapted governance system able to guarantee its effective implementation and success.

It is within this new context that Bank Al-Maghrib will continue to contribute fully to promoting financial education, reinforcing customer protection and developing banking competition. Under the Banking Act, it intends to develop a cooperation agreement with the Competition Council and lay the foundations for an exchange and consultation mechanism to fight against anti-competitive practices and abuse of dominant position. With regard to the consumer protection law, which entrusts the central bank with the mission of controlling and ensuring compliance with provisions relating to consumer and real estate loans, the Bank should create a system for regulating and controlling business practices of credit institutions.

In parallel, the Bank reaffirms its commitment to encourage the use of electronic means of payment in order to make them real levers of financial inclusion. It seeks to exert more efforts to reinforce the legal framework governing such means so as to increase their security and credibility. Indeed, to prevent the increase in Internet fraud, it will ensure that all banks generalize new authentication solutions to customers using online banking services or making card payments on the Internet. Similarly, the Bank will endeavor to ensure the security of new products and services to be marketed by payment institutions, and will reflect, together with the banks, upon ways to accelerate the digitization of banking services.

Concerning credit cards, the Bank will continue to improve their legal system, which currently relies on conventional aspects only. The reform proposals will focus mainly on the fight against fraud by adopting preventive and deterrent rules, which would strengthen the credibility of bankcards, clarifying the statutory regime of cancelation orders and widening its scope, and better identifying the responsibilities and obligations of card issuers and holders.

In addition to these initiatives, the Bank intends to contribute to the promotion of sustainable finance, by working alongside stakeholders to develop a comprehensive strategy, taking into account our national context and the overall objectives of sustainable development.

> STRATEGIC OBJECTIVE 5

Reposition the Network's role in light of the new advanced regionalization policy

Building on the modernization actions carried out in its branch network as part of the previous strategic plans, Bank Al-Maghrib is currently facing new challenges related to its commitment to supporting the country's new regionalization policy.

In this regard, the branch network is required to help strengthen the Bank's regional presence. Its territorial anchoring will materialize by the establishment of branches in the two administrative regions, which are not covered, and the implementation of a specialization plan, in line with the Bank's responsibilities and taking into account the development of the operational activities of branches and the decline in the number of their staff.

In terms of local activities, the Bank's branches will play a more substantial role in monitoring and controlling currency in circulation and its quality. They will also contribute to financial inclusion actions, by promoting the development of financial education and protection of banking services' customers in the regions. Furthermore, they will boost their input in terms of financial information available to the public, by seeking to eventually establish a regional integrated outreach and information arrangements.

Moreover, the Bank's regional presence will be consolidated through the generalization of local cultural activities and the organization of regional events and awareness campaigns with public and private institutions as well as among the general public, in order to promote the rich numismatic heritage of our institution among a wider population.

STRATEGIC PRIORITY 2

Rationalize the use of our resources in a modern working environment enabling collective performance



At a time when responsibilities and expectations for the Bank are expanding, it has become necessary, more than ever, to rationalize the use of resources and to pursue the quest for performance in order to develop the Bank's modes of operation and its financial management.

These imperatives which have guided the Bank's choices during the past years, helped achieve significant progress, particularly in terms of improving working frameworks and tools, increasing productivity, optimizing purchases and prioritizing investments, which allowed for a contained control of the Bank's expenses. Such requirements will be kept at the center of the Bank's concerns in the coming years and will constitute its guideline for future projects.

Regarding human capital, the Bank will continue to place the management line at the heart of its interests. Thus, it will focus on developing skills with regard to succession management and implement initiatives aiming to entrench the spirit of collaboration.

The Bank also intends to take advantage of the inputs of digital technologies to further modernize its working tools and encourage more sharing and collaboration. Meanwhile, it needs to strengthen its cyber security arrangements and enhance its physical security.

In terms of financial management, the Bank aims to maintain control of its operating expenses at around 4 percent over the next three years and plans to explore new revenue sources to improve its financial results.

Concerning currency in circulation and secured documents, the Bank will seek to review Dar As-Sikkah's functioning and steering modes in such a way as to turn it, in the medium term, into a real profit center. It will also ensure that Dar As-Sikkah positions itself in new high value-added industrial segments, by relying on more modern machinery, a more enhanced policy of research and development and a more offensive marketing strategy.

> STRATEGIC OBJECTIVE 1

Adapt to the changes imposed by the digital revolution in the Bank and the banking sector

Digital revolution is a key issue for all institutions, especially those working in the financial sector, considering their economic importance. It reconfigures their internal environment, particularly in terms of processes and information system infrastructures, and changes their ways of collaboration. Externally, it implies working differently, taking account of the requirements arising from the increasing interconnections between actors. Therefore, major adaptations are required to take full advantage of its potentials and avoid its negative effects.

This revolution represents clearly a great opportunity for Bank Al-Maghrib to turn it into a real lever for modernization and performance. The Bank intends to enhance the use of new technologies and associated tools in order to rethink the way it operates and to increase the productivity of its employees. To this end, the Bank will seek, over the next three years, to deploy a work environment that meets the expectations of internal users and external

partners, by providing them with more modern, efficient and secured equipments and services, that promote sharing and collaboration.

Adapting to digital technology also requires that the organization and the technical infrastructure of the information system be developed. For this reason, the Bank will provide adequate material and application infrastructure. At the same time, it will continue to simplify and automate processes for more agility, responsiveness and operational efficiency.

In addition, the Bank will continue on the path taken for several years concerning electronic exchanges and information management. In this regard, it will identify new initiatives to be implemented to further optimize exchanges and reduce the use of paper.

Communication is not left behind in this momentum. Indeed, in the digital age, “social networks” have become one of the pillars for implementing any effective communication strategy. In this perspective, the Bank will continue to develop its presence in the new media.

> STRATEGIC OBJECTIVE 2

Improve accessibility and use of the Bank's data within a best practice governance framework

To better discharge its mandate, the Bank collects, produces and disseminates an increasingly important amount of economic, monetary and financial data, which it uses for analysis and decision-making purposes. Monetary statistics, survey data, data on financial institutions, nonfinancial companies and markets, data on payment systems and means, central databases... are all strategic informational assets that should be maintained, preserved and enhanced in optimal security conditions.

For this reason, the Bank will seek, over the next three years, to establish a governance framework dedicated to data management, business data optimization and sharing, and the development of infrastructure and interfaces for more effective uses.

At the functional level, the desired governance framework will clearly formalize the roles and responsibilities of various stakeholders in the data management process, help structure the policies to implement, specify the rules and common standards for data collection, processing and dissemination and ensure access and authorization management. It will bring together relevant stakeholders and focus on harmonizing the necessary technological tools.

From a technical and operational perspective, and after identifying all priority core business data, the goal will be to define and develop adequate information architecture that will allow data optimization and sharing. A wide program of improvement, aiming to better use the data concerned, will be also launched, involving both the development of new interfaces to effectively query the Bank's different databases and the adaptation of those already in place.

➤ STRATEGIC OBJECTIVE 3

Strengthen physical security and cyber security arrangements to cope with new risks and challenges

Given its position at the core of the national financial system, Bank Al-Maghrib is required to be continuously resilient and to maintain its activity regardless of the difficulties it may encounter. As external threats and risks related to cybercrime increase, the Bank is required to enhance its requirements in terms of physical, information asset and IT security.

The objective is to develop security systems to prevent and to respond properly to potential vulnerabilities. Thus, regarding the protection of individuals, buildings and facilities, the Bank will seek to define an appropriate global policy, which sets out the basic principles and security plans to be implemented. Similarly, further to the actions undertaken within the previous strategic plan, it will continue to modernize its technical security and safety systems.

Being aware of cyber-attack probabilities and their heavy consequences, the Bank will continue, to reinforce, more rigorously, its information system security arrangements. It will set up a global cyber security framework, consistent with the regulations and standards in force, as well as a set of actions to raise the awareness of the Bank's staff and strengthen their vigilance.

In this sense, the Bank will conduct a thorough diagnosis to assess its capabilities in terms of information security and cyber-security management, analyze potential vulnerabilities and determine the appropriate level of protection. It will particularly ensure greater control to detect, prevent and remedy vulnerabilities, through intrusion and reactivity tests as well as specialized audits.

In order to be always up to date with the latest developments, the Bank will seek to strengthen its existing computer security program and enter into partnerships with stakeholders specialized in computer security technology monitoring. It will also focus on improving its current preventive and operational IT security system.

> STRATEGIC OBJECTIVE 4

Establish Dar As-Sikkah as a profit center with enhanced security, quality and performance

In recent years, the Bank has undertaken significant investments to modernize currency production and processing equipment. To improve their profitability, it developed its fiduciary activities internationally, particularly through a five-year partnership with the American group “Crane Currency”, concluded in 2014.

Over the next three years, Dar As-Sikkah aims to achieve two major objectives: increase both the occupancy rate of its production lines and the turnover of its commercial and industrial activities.

Achieving these goals requires that the quality and security be improved, the cost of currency in circulation be controlled, the organization structure and appropriate means be set up for greater accountability and better management of Dar As-Sikkah’s new commercial and industrial activities, in order to turn it, in the medium-term, into a profit center.

Therefore, Dar As-Sikkah’s industrial organization will be reviewed to improve its overall performance and the profitability of its investments. New approaches to planning and organization of production teams will be implemented, also, projects steering and execution will be adapted to the requirements of “export-oriented” activities.

For better positioning on international markets, and taking into account the domestic expansion of the secured products portfolio, Dar As-Sikkah's commercial strategy will be brought into compliance with the best international standards and its projects portfolio expanded to high value-added segments. Particular attention will be paid to the cost dimension, which will be systematically integrated in the decision-making process.

The activity of research and development will remain a key concern for the Bank so as to support all projects. This activity will focus more on innovation in banknotes design and production, in line with high requirements in terms of quality and security. Furthermore, it will be fostered by the modernization of currency-related logistics and information systems.

> STRATEGIC OBJECTIVE 5

Entrench the culture of cooperation inside the Bank and good management practices as a performance improvement factor

Further to the progress made to develop managerial practices and strengthen the cross-cutting approach, and in order to serve its ambition to constantly improve collective performance, Bank Al-Maghrib has set as priorities in the coming years to entrench cooperation and enhance managerial requirements.

Anchoring the collaboration between and within entities requires from everyone to commit to serving the group and to behave in such a way as to promote a performance-seeking healthy working environment. The implementation actions will be identified and formalized in a best practices reference, which will set, for employees and managers, the level of requirement expected by the Bank.

Similarly, the targeted objectives to strengthen cooperation will be set. A specific assessment mechanism will be also established to measure the progress made and highlight the individual and collective progress areas. Finally, a targeted coaching and teambuilding program will be defined and implemented, in order to develop attitudes promoting good momentum of collaboration across the Bank.

Moreover, in a context where retirements are increasing, particularly in management positions, it has become necessary to adopt good managerial practices with regard to succession management in order to preserve the expertise accumulated, develop potentials and prepare, in advance, women and men who are able to take over.

With a structured and formalized process that has so far focused on a limited number of priority critical positions, the Bank aims to expand its succession plan to all management positions. As the role of top management is crucial in this project, the priority will be to set up an evaluation and development system, which helps to monitor and measure progress in terms of succession anticipation and planning.

STRATEGIC OBJECTIVE 6

Maintain control of the Bank's expenditure at around 4 percent over the next three years and develop new sources of revenue

The Bank has been committed for several years to a rigorous policy of optimizing and managing its resources and controlling its expenses. The Strategic Plan 2013-2015 included a program of actions which particularly helped generate savings, optimize investments and clean up the project portfolio.

Given the sustained drop in its financial result in recent years, the Bank intends to resolutely continue on this path over the next triennium. It plans to implement all measures enabling it to control its expenses and launch initiatives to explore new product niches in order to improve its financial result. A common framework of reflection and consultation will be therefore set up to define the Bank's main lines of expenditure rationalization and income improvement. More particularly, certain external services will be billed, while ensuring that expenses incurred internally are covered to the minimum.

Meanwhile, the Bank will continue some major projects that contribute to the same objective such as:

- The review of maintenance policies;
- The evaluation of the outsourcing policy pursued in recent years to assess its effectiveness and measure its achievements;
- The continued implementation of a purchasing policy that meets efficiency and compliance requirements;
- The implementation of the energy efficiency policy;
- The rehabilitation of the real estate holdings, in order to ensure permanent adequacy of buildings to the Bank's changing needs.

In addition, the Bank intends to continue focusing its expenditure on priority investments. The project prioritization process will be thus enriched by the inclusion of new analysis areas, which will mainly help ensure the relevance of investments.

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